LED6108 RSR #30
ENTIRE ISSUE

Audit's® MARKET ANALYSIS OF SECURITIES OF REITS AND REAL ESTATE COMPANIES

Realty Stock Review

June 10, 1988 (Priced June 10) VOL. XIX, NO. 11

GROUP REVIEW ISSUE: INVESTMENT BUILDER AND HOMEBUILDER STOCKS HAVE ADDED VALUE

We review this issue stocks of 13 investment builders, home builders, and realty service companies with the common thread that many own unexpected and less visible values among their assets.

Look at the homebuilders reviewed: It's no secret that most homebuilder stocks are in investors' doghouse for the simple reason that housing starts are going sideways at best, hence there's no compelling reason for portfolio managers to chase their stocks.

Yet it's during these dog days that investors can establish positions in those with good value and await the turn of the housing cycle. In particular you can buy some good assets below book value: land in the case of **Fairfield Comm., General Develop., Leisure Technology**, and **Lennar**; and income property building and ownership in the case of **Hovnanian, Kaufman & Broad Homes**, and **Lennar**. Here's a summary of recent prices and relation to book value/share.

	Price	Book	Pr/Bk.%
Amrep Corp........	$8.75	$9.47	- 8%
Calton............	3.75	2.36	+59
Centex Corp.......	26.38	20.39	+29
Fairfield Comm....	9.65	5.50	-43
General Devel.....	23.01	13.63	-41
Hovnanian Enter...	9.00	4.32	+108
Kaufman & Bd Home.	10.50	7.24	+45
Leisure Tech......	4.88	4.84	+ 1
Lennar Corp.......	19.00	21.46	-11

The big discounts don't come without problems, earnings in Fairfield's case and a nettlesome Grand Jury probe for GDV. Both are for aggressive investors. The last four above are rated the strongest buys right now.

Investment builders each operate in unique niches, yet try to build income property portfolios. Comments:

Bay Financial's 41% owner wants to buy remaining stock at $16, yet the market says a higher price is needed.

Forest City Enterprises has just passed $1 bil. in assets, yet complex structure limits investor interest. The controlling Ratner family focuses on building values for the next generation.

Rouse Co. shopping center growth seems to be slowing a tad, mainly because startup costs at new projects hurt results. Yet value creation is awesome. Irregular land sales at Columbia add volatility to CFS.

Two stocks rise in Rank: **Hovnanian Enterprises** to B and **Lennar** to A. Three fall a notch: **Fairfield Communities, General Development**, and **Grubb & Ellis**, all to C.

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AMREP CORP.

$8.75 (AXR-NYSE) Div. None Yld. 0.0%
6.60 mil. shares **RANK C**

A major community developer-builder in New Mexico, AXR relies heavily on housing and commercial land sales.

EPS/Dividends - C (Apr. yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
1984...	$1.15	$0.00	12.0-6.0	10.4- 5.2
1985....	1.03	0.00	11.7-6.7	11.5- 6.7
1986....	1.44	0.00	22.4-9.1	15.6- 6.3
1987....	0.94	0.00	23.3-11.2	24.9-12.0
1988E...	0.40	0.00	16.7-6.3	42.2-15.9
5 Yr.Gr.	NM%	NM%	*In 8ths.	

Nine mon. 1/88: AXR earned 29¢ sh., down 59%. Revenues fell 7%, because of fewer commercial land sales at Rio Rancho community near Albuquerque, and slower house sales. We see about 40¢ share in FY 1988.

Assets and Operations: Rio Rancho: At this 91,000 acre community 11.5 mi. northwest of downtown Albuquerque, AXR quit selling undeveloped lots in 1977 to focus on housing and commercial development. Albuquerque access is aided by opening of the Paseo de Norte bridge over the Rio Grande River in Dec. 1987. AXR retains ownership of 26,000 acres, of which 6,000 are in contiguous blocks suitable for development. Population now is 31,000 and AXR is the dominant homebuilder, delivering about 850 homes at about $57,500 in 1988. A 140 acre Technology Center has attracted Intel Corp., J.C. Penney, Lukens Corp., and U.S. Postal Service. Intel plans spending $150 mil. at its 600,000 SF plant.

AXR also builds in Orlando and W. Palm Beach, Fla. Kable News Co., magazine and book distributor, operated at breakeven in 1988 after a loss year.

Financial Measures - B: Debt of $45.5 mil. is 0.7 times $62.5 mil. equity or $9.47/sh. AXR also has $32 mil. deferred tax liabilities ($4.84/sh.) and some portion should drop to equity under new accounting rules. In Feb. 1986 AXR lost a U.S. Supreme Court appeal of an FTC ruling that AXR used deceptive practices to sell lots before 1976; the FTC could seek redress for consumers.

Exposure/Advice: Realizing values at Rio Rancho will take time; expect EPS volatility from irregular sales. Hold.

Address: 10 Columbus Cir., New York, N.Y. 10019. (212) 541-7300.

BAY FINANCIAL CORP.

$18.38 (BAY--NYSE) Div.None Yld. 0.0%
3.95 mil. shs. **RANK C**

Once a REIT, BAY is a national investment builder. BAY has slowed construction to stress leasing as cash flow turned negative. BAY omitted payout in the 2/88 qtr. and privately placed 620,000 new shs. in 4/88 at $15 to unaffiliated Australian investors. On June 7, 1988, BAY's 41.6% owner, Pennant Holdings of Australia, offered $16 per sh. for all shs.

EPS/Dividends - C (May yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
1984...	$2.40	$0.10	21.6-14.0	9.1- 5.8
1985....	0.18	0.20	25.3-17.7	141-99.0
1986....	0.58a	0.20	29.2-22.1	50.4-38.2
1987...	(2.43)a	0.20	30.0-22.0	d - d
1988E...	NE-d	0.10	z24.0-10.2	d - d
5 Yr.Gr.	NM%	NM%	*In 8ths.	z-To date.

a-Incl. pretax prop. sale gains: 1986-$3.86/sh.; 1987-$3.23/sh. d-Deficit. Co. switching to June fiscal year.

Nine mon. 2/88: BAY lost $3.23/sh., vs. $1.41 loss in 1987. Property sales were $1.05/sh. pretax. BAY begins depreciating properties once placed into service but not fully rented. Thus depreciation on completed properties was $2.58/sh. in 1988; cash flow was $1.02 negative. Rents rose 22%.

Assets and Operations: BAY's success clearly depends upon leasing: BAY leased a net 605,000 sq. ft. in 1987, up 18%, and approx. 450,000 SF in the nine mon. to 2/88. BAY owns about 1.84 mil. SF in completed buildings (half office/-half industrial & R&D) at estimated 78% occupancy. BAY also has joint venture interests in net 220,000 SF, 65% leased.

BAY's $303 mil. assets are 59% completed properties; 23% land; 12% joint ventures and construction in progress; and 2% mortgages. Completed properties of $182 mil. are 55% office, 23% indust./comcl., 8% hotel, 13% resid.

Financial Measures - C: Total debt of $249 mil. at 2/88 is 5.9 times $42.2 mil. shareholders' equity at cost (equal to $12.56/sh.). Country & New Town Props. of London, controlled by Pennant Holdings of Australia, owns 41.6% of shs. Current value: $39.51/sh. at 5/87.

Exposure/Advice: Hold pending developments on Pennant offer. Address: 200 State, Boston, MA 02109. (617) 439-6046.

CALTON INC.

$3.75 (CN--NYSE) Div. None Yld. 0.0%

Shs.: 22.88M com., 12.2M B RANK C

CN builds single-family homes in N.J., Fla. and Pa., and also operates thru joint ventures and partnerships. After going private in 11/85, CN returned to public markets with a $3.75/sh. offering in 6/86; non-tradable Cl. B shares with 10 votes/sh. were distributed 8/87 as a 2-for-1 split.

EPS/Dividends - C (Nov. yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
1984	...$0.08	$0.00	$ NA	NA- NA
1985	....0.18	0.00	NA	NA- NA
1986	....0.39	0.00	4.1 -2.3	10.6-6.1
1987	....0.61	0.00	7.5 -1.8	12.6-3.1
1988E	...0.90	0.00	z6.8 -2.0	z7.6-2.2

5 Yr.Gr.83% * In 8ths. z-To date.

Year 1987: CN earned 61¢ sh. in the 11/87 year, up 56%, on a 6% sales gain to $156.9 mil. Unit deliveries fell 21% to 990 DU; gross margins widened to 38%. Land sales generated $9.0 mil. revenues and $6.9 mil. (77%) gross margin. Qtr. 2/88: CN earned 9¢ sh., up 125%, on 26% housing sales gain. Unit deliveries were flat at 148 DU. Gross margin widened to 40%. Backlog of 329 DU fell 13%.

Assets and Operations: CN builds single-family and townhouse homes in New Jersey, about 80% of sales; Fla. (Orlando), about 20%; and has entered Pa. north of Phil. Average sales prices: $184,000-N.J.; $94,000-Fla.; $109,000-Pa. Quailbrook in Freehold, N.J. is its oldest active tract.

Land position is strong: CN owns about 1,350 lots in development; has 1,843 DU in processing; and controls via options 1,360 acres for 2,566 lots.

CN has invested $45 mil. (22% of assets) in 50%-or-less interests in numerous joint ventures; CN contributed most to Talcon L.P.(OTC-TLCNZ) in 12/87.

Financial Measures - C: Total debt of $98 mil. is 1.18 times equity of $82.9 mil. or $2.36 per combined share including 54¢ goodwill. Pres. & Chrm. A.J. Caldarone family control 37.2% of combined voting power. N. J. investor M.S. Weinstein (former Coated Sales (RAGS-OTC) chrm.) owned 4.5% in 2/88.

Exposure/Advice: CN has grown in competitive and booming N.J. housing markets; Hold/buy. Address: 100 Craig, Freehold Twp., NJ 07728. (201) 780-1800.

CENTEX CORP.

$26.38 (CTX-NYSE) Div. $0.25 Yld. 1.0%

15.05 mil. shs. RANK A

This Dallas-based diversified homebuilding and construction giant has escaped major harm in the Oil Patch recession. Earnings recovery is seen.

EPS/Dividends - A (Mar. yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
1985	...$2.01a	$0.25	28.4-18.0	14.2- 9.0
1986	....2.62	0.25	33.4-20.4	12.8- 7.8
1987	....2.47	0.25	40.4-29.0	16.4-11.7
1988	....1.50a	0.25	34.0-15.1	22.7-10.1
1989E	.2.00-.50	0.25	z28.2-19.4	14.0- 9.5

5 Yr.Gr.-0.1% 0% *In 8ths. z-To date.
a-Excl. 19¢ '85 discontinued opers.; $3.13 '88 acctg. chng. for income taxes.

Year 3/88: Revenues rose 12% to $1.46 bil., with general construction up 39% while construction products (cement, gypsum) fell 16% and homebuilding dropped 9% to $552.5 mil. Earnings from homebuilding and construction products fell 48% and 45% respectively; contracting income soared 151%. We see recovery in 1989. Dividends hold at 25¢ yearly.

Assets and Operations: CTX operates three major business lines with revenues and contributions to net income after taxes but before before corporate overhead as follows in FY 1988:

	Rev.%	Income %
Homebuilding/real est..	38%	55%
General contracting....	53%	16%
Cement, gypsum products	9%	29%

Homebuilding is aiming at becoming a full-service company that builds homes, finances them via a mortgage subsidiary, and may resell them thru a residential brokerage unit. CTX delivered 5,296 homes in 1988, down 11%, with 28% in Texas and southwest, 34% southeast. Backlog fell 3% to 1,779 DU.

In 11/87 CTX contributed $76 mil. land assets and distributed as special dividend wts. and stock of the general partner in Centex Development Co. L.P., a land developer. Securities trade in tandem with CTX common.

Financial - A: Debt of $212 mil. is 0.6 times $361 mil. equity or $20.39/sh.

Exposure/Advice: CTX manages volatile businesses to produce fairly consistent EPS, although the latest year was weak. Finances are strong. Buy/hold.

Address: 3333 Lee Pkwy., Box 19000, Dallas, TX 75219. (214) 559-6500.

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FAIRFIELD COMMUNITIES INC.

$5.50 (FCI-NYSE) Div. None Yld. 0.0%
10.65 mil. shs. RANK C

FCI falls to C Rank in our annual review mainly because earnings have lost momentum. FCI develops Sunbelt recreational/resort communities and says it may acquire a N. Carolina S&L.

EPS/Dividends - C (Dec. yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
2/85...	$1.49	$0.165	16.6-9.5	11.2- 6.5
2/86....	0.83	0.185	15.4-9.7	18.7-11.9
12/86a.	(1.62)a	0.15a	13.7-7.0	d - d
12/87...	0.13b	0.00	12.0-4.3	92.3-33.7
1988E....	NE	0.00 z	6.3-4.4 z	NE- NE
5 Yr.Gr.	NM%	NM%	*In 8ths.	z-To date.

a-10 mon.; b-Excl. 6¢ taxloss benefit.

Year 1987: FCI returned to profitability in its Dec. 1987 year with 13¢ EPS before taxloss benefits. Revenues hit a record $331 mil. derived 35% homes; 30% timesharing; 8% installment lots; 7% commercial land; 12% resort; 9% interest and other. Qtr. 3/88: FCI lost 33¢ sh., vs. 8¢ loss, on flat lot and timesharing sales and absence of commercial land sales. FCI has pared overhead.

Assets & Operations: FCI operates 10 full-scale resort communities with 60,600 acres; five timesharing sites; and five homebuilding tracts in Ariz. and Ga. with 8,160 sites. Lines:

Home sales are made primarily at Green Valley and Sunrise Village, Ariz., at prices from $55,000 to $250,000; backlog of $38.2 mil. at 12/87 is down 3.5%. Six Fla. homebuilding operations are under sale contract for $78 mil. (approx. book value) to an affiliate of Nutrition World Inc., owner of 12.9% of FCI stock; proceeds will reduce debt.

Timesharing sales now run at about $100 mil. rate and generate 72% gross profit. Lot sales run at $25 mil. annual rate and generate 69% gross margin. Selling expenses for the two lines declined to a low 28.7% in 3/88 qtr.

Financial Measures - C: Debt of $405 mil., including debt supporting $214 mil. installment sales contracts, is 4.0 times shareholders' equity of $102.7 mil. or $9.65/sh.

Exposure/Advice: FCI is pruning unprofitable units to restore profits in competitive markets. Hold for recovery or wait. Address: 2800 Cantrell Rd., Little Rock, AK 72202. (501) 664-6000.

FOREST CITY ENTERPRISES INC.

$31.50-A; $31.38-B Div.$0.38(A) Yld.1.1%
7.95 mil. total A&B shs. RANK B

This Cleveland-based company focuses on major urban development. The controlling Ratner family owns 69% of Cl. B shares, which elect 75% of directors, and also holds a majority of Cl. A shs.; both trade ASE (FCE.A & B).

EPS/Dividends - A (Jan. yrs.):

Year	Op.EPS	CFS-b	Price Rg.*	Pr.X CFS
1985...	$0.42	$1.31	21.2-15.0	16.2-11.5
1986....	0.59a	1.80	26.1-20.3	14.5-11.3
1987....	1.15a	2.78	38.0-22.0	13.7- 7.9
1988....	0.44a	2.39	40.4-26.6	16.9-11.2
1989E...	NE	2.50	z31.3-28.3	12.6-11.4
5 Yr.Gr.	NM%	17.5%	*In 8ths.	z-To date.

a-Before net of equity in property disposition gains by unconsolidated subsidiary and discontinued lines: 35¢-'86; 49¢-87; d3¢-'88; and in '88 $1.15 credit from acctg. chnge. on income taxes. b-Computed by Audit excl. deferred taxes.

Year 1988: FCE includes both unconsolidated Forest City Rental Properties Inc. and parent company activities of land sales, merchant building, and lumber brokerage and wholesaling. Retail operations were sold in 3/87. Combined revenues of $276.4 mil. rose 10%, divided 65% rental revenues; 17% lumber brokerage; 9% each land and residential development. Operating cash flow as computed by Audit fell 14% to $2.39/sh., mainly because of higher interest (mostly deferred) on its Parklabrea Towers Apts., Los Angeles, acquired in 1986. Our 1988 CFS does not include $1.07/sh. deferred taxes and 58¢ deferred interest. Cl.A payout rose to 38¢ in 6/88.

Assets and Operations: FCE began five years ago to restructure into a vertically integrated real estate development and investment company seeking to invest in larger urban projects where locations, design, and financing provide unique opportunities for appreciation.

During FY 1988, FCE assets topped $1 bil. at cost, a doubling in two years. FCE added seven major properties (vs. 11 in 1987), including mall shopping centers in North Hollywood, Cal. and Manhattan, Kan. with 687,000 SF; two offices with 127,000 net SF; three apartments with 404 DU. Since year-end 655,000 SF One Pierrepont Plaza, Brooklyn, opened and leased to Morgan Stan-

ley. Plans for 1989 call for: refurbishing high-rise units at 2,812 DU Parklabrea Apts., Los Angeles, acquired 1986 for $201 mil.; refurbishing 558,000 SF Terminal Tower and adjoining Post Office Bldg., 350,000 SF, Cleveland.

FCE owns approx. 50% in 18 regional malls with 10.7 mil. net SF; four hotels; eight mixed use/office projects with 2.4 mil. SF; and net 8,626 apts.

Financing - B: Total parent debt of $147.7 mil. is 1.6 times shareholders' equity of $91.2 mil. plus $100.4 mil. Properties depreciation, equal to $24.11/sh. Rental Properties has $859 mil. third-party debt, nearly all nonrecourse mortgages. We believe that Properties' $28.2 mil. net cash flow (including deferrals) would be capitalized at 6%-9%, or $39-$50 per FCE sh.

Exposure/Advice: FCE's goal of developing major urban properties with some insulation from competition because of their location, design and financing runs the risk of building ahead of demand in center-city locations. Buy/hold long-term. Address: 10800 Brookpark, Cleveland, O. 44130. (216) 267-1200.

FC 61088 #30

ROUSE COMPANY

$22 (ROUS-OTC) Div. $0.52 Yld. 2.4%
47.71 mil. shs. RANK A

This premier developer of suburban mall centers and urban festival centers continues growth, albeit at somewhat slower pace; land sales are significant.

EPS/Dividends - A (Dec. yrs.):

Year	Op.EPS	Op.CFS	Price Rg.*	Pr.X CFS
1984...	$0.16a	$0.30	12.3- 9.5	41-32
1985....	0.23	0.40	18.1-11.1	45-28
1986....	0.35	0.62	23.0-17.1	31-28
1987....	0.20	0.59	25.4-16.4	43-28
1988E....	0.65-0.67		z23.6-17.5	37-29
5 Yr.Gr.	NM%	21.3%		

*In 8ths. z-To date.
a-Before discont. opers.: $0.75-1984.

Year 1987: Operating net cash flow from continuing operations as computed by Audit is after mortgage principal payments (or equity buildup) of 19¢ sh. in 1987. Over the past five years, earnings before non-cash charges (EBNCC, or gross cash flow) per sh. before debt service and accruals rose at 19.2%/yr.

EBNCC rose 15% to $57.5 mil., resuming growth but reflecting startup costs. Shopping center rents rose 19.1% to $335 mil. and $46.9 mil. operating profit after expenses and interest rose 15.6%. Gains on land sales at Columbia, new town between Baltimore and Washington, fell 23% to $15.8 mil.

Qtr. 3/88: Net cash flow of 22¢ rose 5%; Operating property EBNCC rose 5% while land sales EBNCC rose 43% and accounted for 48% of EBNCC. ROUS expects land sales to top $40 mil. in 1988. Modest net cash flow gain is expected, although dependence upon more cyclical land sales is a concern.

Assets: ROUS signifies malls to most investors but with acquisition of Columbia for $120 mil. in 1985, ROUS resumes its dual role as mall and community developer. Including Columbia, ROUS has interests in 64 shopping centers with 39.6 mil. sq. ft. including anchor tenants. In Mar. it agreed to manage 578,000 SF Kendall Town & Country outside Miami. ROUS both owns, either partly or wholly, and manages some centers; and manages centers for others. Centers, including stores owned by anchors, are as follows in millions of sq. ft. (MSF), at 12/87:

	Anchors	ROUS owned
Columbia-wholly owned..	0.5MSF	0.8MSF
Other wholly owned(26).	8.5 "	6.4 "
Partly owned (18)......	8.3 "	5.6 "
Managed for others(12).	5.9 "	-- "

ROUS centers are widely diversified geographically and include both older suburban centers and newer urban centers catering both to tourist and downtown shoppers. Projects being developed include 112,000 SF Westlake in Seattle; Arizona Ctr. in Phoenix; 204,000 SF office in Owings Mills (Md.) Corporate Ctr.; Portland, Ore. and San Francisco.

Financial Measures - A: Total debt of $1.4 bil. is 18.7 times the $75.2 mil. shareholders' equity at cost (equal to $5.36/sh. including $180 mil. accumulated depreciation). Debt is 1.05 times $1.29 bil. equity at current value.

Current value: Appraised value of equity rose 13% in 1987 to $27.13/sh.

Exposure/Advice: ROUS today is unquestioned leader in developing complex urban centers. By resuming development of the new town of Columbia, ROUS adds land sales potential (and volatility). Altho growth may be slowing slightly, buy/hold long-term. Address: Columbia, Md. 21044. (301) 992-6000.

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FCI 6/088 #30

GENERAL DEVELOPMENT CORP.

$13.63 (GDV-NYSE) Div.None Yld. 0.0%
8.60 mil. shs. **RANK C**

GDV is Florida's largest community developer, selling homesites, houses, timesharing units, and commercial land. A Grand Jury probe of housing appraisals is going to cast a cloud over the stock.

EPS/Dividends - C (Dec. yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
1984...	$3.05	$0.00	$ NA	NA - NA
1985....	3.01	0.00	15.5-9.7	5.2- 3.3
1986....	2.67	0.00	25.2-14.1	9.5- 5.3
1987....	2.60	0.00	26.5-8.1	10.0- 3.0
1988E...	2.75	0.00	z19.5-10.3	7.1- 3.8

5 Yr.Gr.-2.6% NM% *In 8ths. z-To date.

Year 1987: Revenues rose 11% to $431 mil. on comparable lines, excluding newly acquired Vistana resort near Orlando. EPS fell moderately on narrower margins. Qtr. 3/88: GDV earned 41¢ sh. from operations, plus $2.13/sh. cumulative effect of accounting change for income taxes, and 39¢ loss on early bank debt retirement. In 1987 GDV netted 65¢ incl. 41¢ from sale of lot contracts.

Assets and Operations: GDV operates nine Fla. communities with 82,600 acres remaining for sale, including 14,400 acres platted for current sales. In May it agreed to acquire 57% of Deltona Corp., second largest Fla. land seller, for $45.5 mil. Results in 1987 by line:

Homesite sales of $221 mil. on 13,177 lot sales rose 11% in dollars and 0.4% in units; GDV holds $303 mil. net lot contracts receivable.

Housing sales of $114 mil. on 1,516 units closed rose 3% in dollars and 1% in units; avg. house price was $75,326.

Commercial land sales and utilities fell 15% and rose 11% respectively.

Timesharing at Vistana outside Orlando added $44.6 mil. sales, generating 65% gross margin, first year inside GDV.

Financial Measures - C: Debt of $412 mil. is 2.08 times $198 mil. net common equity after preferred, equal to $23.01/sh. GDV's utilities are likely worth $6-$8/sh. over book. Prudential bought $25 mil. pfd. convertible at $25.

Exposure/Advice: GDV has fallen in reaction to a probe of validity of home appraisals GDV used to obtain mortgages for homebuyers. Avoid till this clarifies. Address: 1111 S. Bayshore, Miami, Fla. 33131. (305) 350-1200.

GRUBB & ELLIS CO.

$4.25 (GBE-NYSE) Div. None Yld. 0.0%
15.82 mil. shs. **RANK C**

The largest public realty brokerage and services company, GBE has been hurt by eroding volume in Texas and costs of integrating acquired local companies.

EPS/Dividends - C (Dec. yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
1984...	$0.86	$0.02	9.5-6.6	11.2- 7.8
1985....	0.47	0.08	12.5- 7	26.9-14.9
1986...	(0.12)	0.08	10.6-4.7	d - d
1987...	(0.20)a	0.00	7.3-3.3	d - d
1988E....	NE	0.00	z5.5-3.7	z NM -NM

5 Yr.Gr.NM% NM% *In 8ths z-To date.
a-Before 22¢ sh. accounting chng.

Year 1987: GBE's loss reflected lower property transaction volume caused by the 1986 Tax Act, plus 34¢ pretax reduction of value of properties and joint ventures. Qtr. 3/88: Loss widened in the seasonally weak qtr. to 37¢ from 31¢. Revenues rose 14% reflecting acquisitions. Calif. and Pacif. SW revenues and pretax income surged and loss in Texas narrowed. Northeast was weak and investment banking loss widened.

Assets and Operations: GBE is a national commercial and residential real estate brokerage. It has grown by acquiring well-known local companies, latest being Adams/Cates, Atlanta, fully acquired 3/88. Revenues, revenue mix, and percent changes in 1987 were:

	Mil.$	% Tot.	Chng.%
Comcl. brokerage..	$193.8	57%	+ 7%
Resid. brokerage..	102.6	30	+17
Prop. management..	12.2	4	+17
Invest. banking...	22.5	7	-36

Commercial brokerage operates thru 64 offices with 1,700 salespersons; residential brokerage, mainly in Calif., Tex. and Atlanta, has 72 offices with 3,000 salespersons. Because GBE buys local service companies based on earnings, it has recorded $70.8 mil. or $4.48/sh. goodwill; acquisition related charges cost 19¢ sh. pretax in 1987.

Financial Measures: Debt of $47.1 mil. is 0.6 times $78.5 mil. equity, equal to $4.96/sh. Prudential Insur. loaned $35 mil. in 1986 and holds wts. for 1.88 mil. shs. (10.7%) at $8.30/sh.

Exposure/Advice: With losses continuing, avoid shs. for now. Ad dress: One Montgomery St., San Francisco, Cal. 94104. (415) 956-1990.

HOVNANIAN ENTERPRISES

$9.00 (HOV-ASE) Div. None Yld. 0.0%

20.94 mil. shares. RANK B

HOV's series of record years riding coat-tails of N.J.'s housing boom may hit a snag as it becomes increasing difficult to get land approved for building. In 10/86 HOV made a reduced risk entry into N. Car. market with purchase of 49% of The New Fortis Corp.

EPS/Dividends - A (Feb. yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
1985	0.33	0.00	4.1-1.6	12.5- 5.3
1986	0.57	0.00	6.2-3.0	11.0- 5.3
1987	0.88	0.00	12.7-6.2	14.6- 7.1
1988	1.24	0.00	19.2-6.6	15.5- 5.4
1989E	1.35	0.00	z11.1-7.6	z 8.2- 5.7

5 Yr.Gr.42% NM% *In 8ths z-To date.

Results adjusted to reflect stock splits: 3-for-2 paid 3/86; 3-for-2 paid 8/86 and 2-for-1 paid 4/87.

Year 1988: Earnings were held down $0.02/sh. on equity in New Fortis losses. HOV pays no dividends.

Assets and Operations: Year 2/88 deliveries declined 7% to 3,001 homes, comprised: N.J., 70%; Fla., 21%; and N.Y., 8%. Backlog at 4/88 of 1,214 units is 6% higher than 1,141 units in 1987 with average selling price increasing 18% to $96,565. In N.J., demand remains strong, but approved land is not there. In Fla. and N.Hamp., competition is taking a toll. 2/88 net margins of 8.7% vs. 6.4% last year, reflect increase in N.Y. deliveries at average price of $167,000/unit. HOV has optioned land for 18,470 planned units, 13,062 (71%) in N.J. HOV has diversified into building commercial properties (two in N.J.: 1 mil. SF in New Brunswick and 100,000 SF in Piscataway), and congregate care housing. Entry into N. Hamp. (1 hr. from Boston) consists of two developments with 262 units. HOV is rehabbing 40 units in Newark, N.J..

Financial measures - B: Debt of $176.3 mil. is 2.0 times net shareholders' equity, after debt discounts, of $90.1 mil. or $4.32/sh.

Exposure/Advice: Stranglehold of slow approvals will slow HOV's rapid growth, but diversification partially offsets. With higher 4/88 backlog over last year, shares are intermediate buy.

Address: 10 Hwy. 35, P.O. Box 500, Red Bank, NJ 07701. (201) 747-7800.

KAUFMAN & BROAD HOME CORP..

$10.50 (KBH-NYSE) Div. $0.30 Yld. 2.9%

27.17 mil. shares RANK B

KBH, most profitable U.S. homebuilder in 1987, also builds homes and commercial buildings in France. Parent Kaufman & Broad, Inc. owns 92.6%.

EPS/Dividends - A (Nov. yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
1986	1.08	0.05a	13.5-9.0	12.6-8.3
1987	1.32	0.20	21.0-7.6	15.9-5.9
1988E	1.65	0.30	z11.3-7.6	z 6.9-4.7

3 Yr.Gr.23% NM% *In 8ths. z-To date.

a-Initial offering 8/86; Div. for 1Q.

2/88 earnings of $0.26/sh. rose 53% vs. $0.17/sh. in 1987 qtr. Revenues of $135 mil. increased 22% from $110 mil. in 2/87. Dividend seems secure after 50% jump to $0.075/sh. for the 2/88 qtr.

Assets and Operations: KBH will open 11 new communities in Calif. and France by the end of July. Booking of revenues from KBH's 675,000 SF Montparnasse office project in Paris began in 5/88 qtr., adding to the bottom line, and will continue over three years. Commercial projects are new activity for KBH but will be greater share of revenues in 1989. KBH delivered 4,664 homes in 1987, up 8%, derived 64% Calif., with balance France and Canada. KBH focuses on first time buyers in Calif. with an average price of $135,000 vs. state avg. of $170,000. Deliveries rose 6% to 789 for the Feb. 1988 quarter vs. 742 in 1987, with Calif. accounting for 72% of deliveries. Feb. backlog of $400 mil. is up over 100% from Feb. 1987. In May 1988 KBH controlled 18,630 lots (3000 in FR.), up 10% from 1987. KHB has 5,170 acres optioned that could provide 20-25,000 lots (385 acres in FR.)

Financial Measures - B: Debt of $201.3 mil. is 1.02 times equity of $196.6 mil. ($7.24/sh.), adjusted downward $6 mil. reflecting currency translation (unrealized loss) in 1987 vs. $9.5 mil. downward adjustment in 1986.

Exposure/Advice: KBH has a long history of developing highly competitive product and with commercial development comes new area for growth potential. Look for sixth consecutive year of record EPS in 1988. Accumulate shares near current low historical value range.

Address: 11601 Wilshire Blvd., Los Angeles, Cal. 90025. Ph: (213) 312-5000.

LEISURE TECHNOLOGY CORP..

$4.88 (LVX-NYSE) Div. None Yld. 0.0%
4.19 mil. shares. RANK C

LVX, national adult community builder operating in Calif., N.J. and N.Y., is now entering non-age restricted single family housing and congregate care centers and markets in Ariz. and Fla. to double sales to $300 mil. in 3 years.

EPS/Dividends - B (Mar. yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
1985...	$0.62a	$0.00	7.1-3.6	11.5- 6.0
1986....	0.31	0.00	8.1-4.6	26.2-14.9
1987....	0.87a	0.00	9.1-4.3	10.5- 5.0
1988....	1.00	0.00	9.3-3.0	9.3- 3.0
1989E...	1.20	0.00	5.2-4.0	z4.4- 3.3

5 Yr.Gr.17% NM% *In 8ths. z-To date.
a-Excl. extra items: 37¢-'85; d66¢ debt retire. loss-'87. EPS diluted.

Year 1988: Housing sales rose 10% to $143 mil. on a 6% decline in unit closings to 880 DU; average sales price rose 21% to $162,500. Land sales of $5 mil. were nominal contributors. Gross margins widened 6% to 31% and LVX carried 12% of sales to net before taxes, best showing in years. Fully diluted EPS rose 15%.

Assets and Operations: Long established as builder of large-scale adult communities in N.J. and Calif., LVX is focusing on smaller tracts and non-age restricted homes to aid asset turnover.

Deliveries in 1988 were 60% N.J. (Lakewood) and N.Y. (Long Island); 30% Calif.; and 10% Fla. The rise in selling prices reflects stronger Cal. sales. Backlog of $41.1 mil. at 4/88 fell 31%, reflecting production catchup in N.J. LVX controls land for approx. 12,200 units, incl. 2,200 in development; 5,600 optioned; 4,400 owned in predevelopment. LVX also owns 4,100 acres in N.J.'s restricted Pinelands.

LVX's LeisureCare unit is renting a 307-DU congregate care facility in Lakewood, N.J. and may do additional units.

Financial Measures - C: Debt of $143 mil. is 2.9 times $48.9 mil. shareholders' equity incl. $28.2 mil. pfd. Net equity is $4.84/sh.

Exposure/Advice: Stronger finances should let LVX expand and maximize EPS. With strong land position, LVX can tap growing retirement markets. Buy.

Address: 12233 W.Olympic Blvd., Los Angeles, Cal. 90064. (213) 862-1000.

LENNAR CORP.

$19.00 (LEN-NYSE) Div. $0.24 Yld. 1.3%
9.88 M total A & B shs. RANK A

LEN, Fla.'s largest homebuilder, has a strong land position that it bolstered when LEN acquired control of Fla. developer/large landholder Development Corp. of America (DCA) in 12/86. LEN will acquire three Austin Tex. subdivisions of Nash Phillips/Copus Inc., if NPC's liquidation plan is approved.

EPS/Dividends - A (Nov. yrs.):

Year	Op.EPS	Div.	Price Rg.*	Pr.X EPS
1984..	$0.67	$0.20	19.0-9.8	28.4-14.7
1985...	1.30	0.20	15.1-10.2	11.6- 7.9
1986...	1.43	0.20	21.2-11.7	14.9- 8.3
1987...	2.50	0.23a	35.1-13.3	14.1- 5.4
1988E..	2.75	0.24a	19.8-14.5	z7.2- 5.3

5 Yr.Gr.42% 4.7% *In 8ths. z-To date.
a-A Class div.; B Class voted 4/87.

Qtr. 2/88: EPS of $0.62, increased 22%, on revenues of $64 mil. (19% higher). Dividend rises longer-term and is steady; current payout seems secure.

Assets and Operations: 11/87 deliveries of 3,950 DU (143 in jt. venture) increased 33% from 2,978 at 11/86 and are 91% Fla. with remainder primarily in Ariz. LEN has 107 communities operating (99 Fla./8 Ariz.). LEN's $75,500 year end average home price is 38% below $120,000 national average, but rising. Land of $41.8 mil. is 8% of total assets. 2/88 backlog of 2,298 DU fell 5% from 2/87. LEN has $137 mil. invested in 50% joint ventures. Among the largest are: 3500 DU, Doral Park; 6,800 DU, Huckleberry; and 3,400 DU Turtle Run. LEN also builds commercial properties and owns and/or manages about 2,290 apartments and 603,000 SF office and retail properties, booked at $8.73/sh. before $1.02/sh. depreciation.

Financial Measures - A: Debt of $250 mil. is 1.18 times equity of $212 mil. or $21.46/sh. Part of $85 mil. borrowed from banks for DCA was repaid with $36.4 mil. proceeds of 6/87 offer of 1.3 mil. shs at $28. Management owns a significant block of the stock. Class B (10 votes) is primarily held by Chrm. Miller, giving approx. 83% voting power.

Exposure/Advice: LEN has liquidity buffer against down-turns, plus income property and land values. Buy below book value. Address: 700 N.W. 107th Ave., Miami, Fla. 33172. (305) 559-4000.